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Australia

Stone Fruit Annual

2015

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Report Highlights:

Cherry production for 2015-16 is forecast to recover to 16,000 metric tonnes, following a decline in 2014/15 due to adverse seasonal conditions. New export markets have opened up for Australian cherry exports, such as South Korea, and new plantings have been made in response. Exports of cherries are likely to reach 6,000 tonnes in 2015/16. Production of peaches and nectarines has fallen to around 90,000 tonnes. The closure of a number of export markets and diminished demand for canned fruit has caused an oversupply of these fruit on the domestic market. Counter seasonal stone fruit imports from the United States entered the Australian market in July 2013 and exceeded 4,500 tonnes.

Commodities:

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

INDUSTRY OVERVIEW

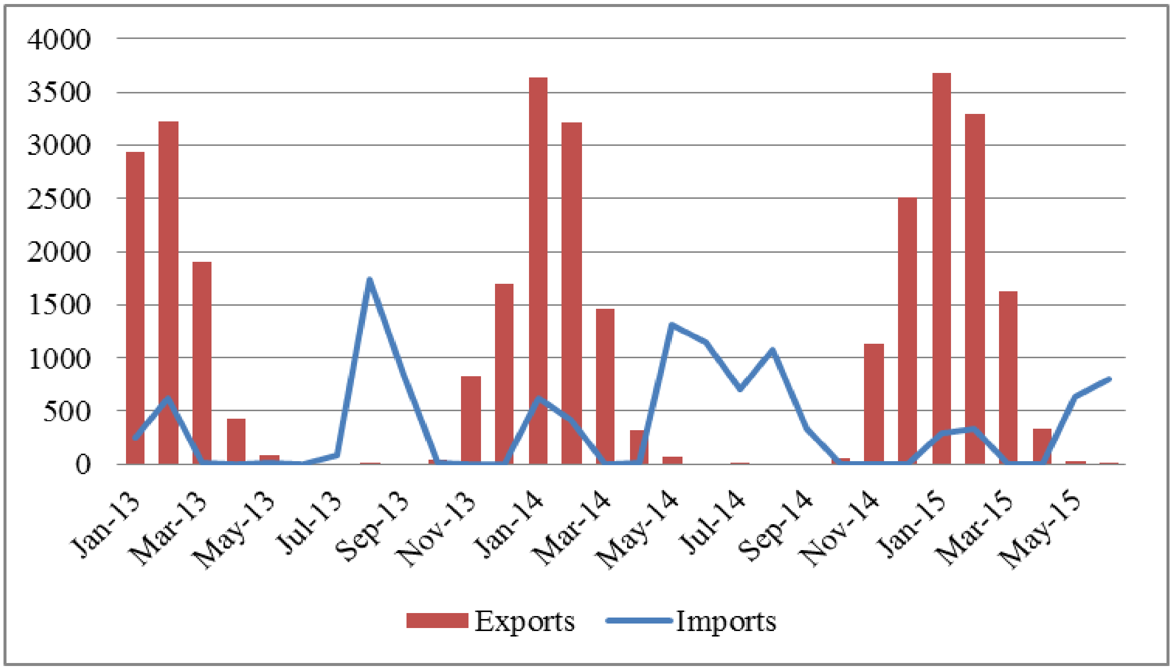
The stone fruit industry in Australia is dominated by cherry, peach and nectarine production, with smaller apricot and plum orchards. The industry is labor-intensive and mostly seasonal. It comprises many small-scale family farms, although there is a growing trend towards medium to larger scale operations. Victoria, New South Wales and Tasmania are the major stone fruit producers. Most of the harvest occurs during summer, with nectarines available from November to April, peaches from September to May and cherries from November to February. In value terms, cherry production exceeds A$100 million in value, with peaches and nectarines or *summer fruit* about twice this total, although recent data is unavailable.

Production of stone fruit has grown over the past 10 years, with the majority of this growth directly attributable to prospective export demand. However, extended drought throughout 2010 was followed by the wettest season on record in 2011 and these events caused significant damage and crop losses to the stone fruit industry. More recently, better than expected rainfall has improved prospects for some segments of the stone fruit industry. Around 80 percent of stone fruit are sold fresh to the metropolitan wholesale markets in Brisbane, Sydney, Melbourne and Adelaide. Smaller quantities are marketed in Perth and Hobart. A small but increasing quantity is exported, at prices well above those in domestic markets, especially for cherries.

Between 2002 and 2014, apparent per capita domestic consumption of processed fruit decreased in Australia by around 40 percent, while per capita consumption of fresh fruit such as cherries, peaches and nectarines increased by over ten percent. Increased demand for fresh fruit in Australia instead of canned fruit has occurred as fresh fruit supplies increased due to better storage and transportation methods. The volume of stone fruit processed by the cannery industry has declined from over 60,000 tonnes in 2005 to less than 20,000 tonnes in 2015. Cannery stone fruit, such as clingstone peaches in the Goulburn Valley, cannot be easily switched to fresh fruit markets and suppliers have reduced their tree holdings in response.

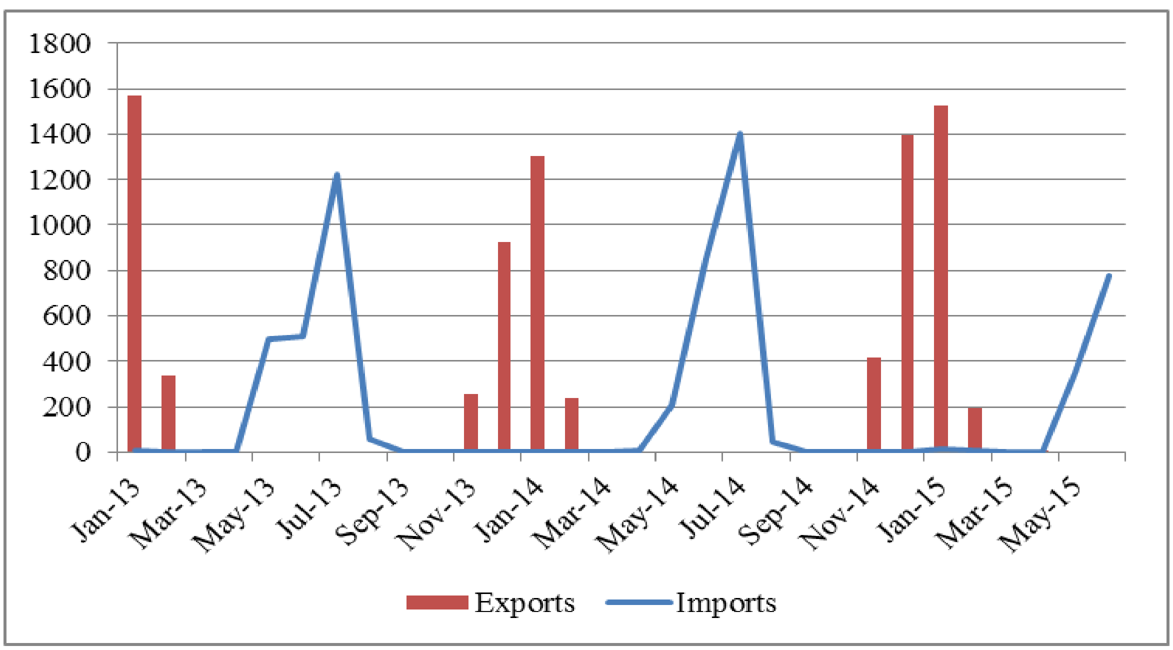
In 2013, Australia was the seventh largest market for U.S. stone fruit in volume terms, the fourth largest market in value terms and is likely to become more important in the future. Consumers and retailers have welcomed these imports, especially as they are counter-seasonal and do not impact adversely on local production. Overall, these supplies are likely to have improved the domestic market for stone fruit since supplies are now available on a more continuous basis. Charts 1 and 2 below illustrate the non-competitive nature of trade in fresh stonefruit, with imports typically occurring in the off season of the domestic industry.

Chart 1: Counter-seasonal trade in stonefruit, Australia 2013-2015 (MT)



Note: Stonefruit here includes nectarines, peaches, apricots and plums.
Source: World Trade Atlas.

Chart 2: Counter-seasonal trade in cherries, Australia 2013-2015 (MT)



Source: World Trade Atlas.

CHERRIES

Overview

Australian cherries are available from mid-to-late October to late February and are produced in six states, with New South Wales, Victoria and Tasmania as the three largest producers. Tasmania has had a rapid expansion in plantings and has a strong export focus, enhanced by its relative pest and disease free status. Both Western Australia and Queensland are relatively small producers primarily focusing on the domestic market. The number of cherry growers in Australia has been steady at just under 500, with over 3,000 hectares under production nationally. This estimate represents a significant increase on previous reporting and reflects new estimates from the Cherry Growers Association. Output of cherries is expected to increase over the next few years, as more mature trees become available and because of more buoyant export prospects.

Production

The Australian cherry industry is a comparatively small producer of cherries, with about one percent of world output, but has a higher share of exports. Locally produced cherries supply demand during the Australian season, supplemented by imported cherries out of season, predominately from the United States. Cherries are grown throughout southern Australia and Tasmania. The main growing areas are the Young, Orange and Bathurst regions of NSW, the Dandenong Ranges of Victoria, the Mt. Lofty Ranges and Riverland area of South Australia and the Huon and Derwent Valleys of Tasmania.

The cherry industry is a mix of smaller orchards and newer and more extensive orchards. Many orchards are family operations but larger commercial farms account for the majority of hectares under cultivation. In the 2014/15 year, around 15,000 tonnes of cherries were placed onto the market, a decrease of over nine per cent on the previous year. This estimate is based on statistics for levy-paying output and other production. Provided that seasonal conditions remain favorable, production is forecast to recover to 16,000 tons in 2015/16. With new cherry plantings, production could reach 20,000 tonnes by 2020.

The cherry season in 2014/15 was affected by heavy rain in Tasmania in early 2015 which reduced the crop by over one thousand tonnes. Unfavorable seasonal conditions in South Australia had a similar impact on production in that State. New plantings have occurred especially in Tasmania because of strong market prices and the prospect of greater access into a number of Asian markets following a succession of bilateral free trade agreements.

Consumption

The cherry industry's long-term vision is to increase the consumption of fresh Australian cherries by encouraging the impulse purchase of the fruit and by promoting the health credentials of cherries. The industry launched its current campaign *Cherish the Moment* several years ago but Australians have fewer cherries in the 2014/15 season because of higher prices sustained by strong export demand. Over 20 percent of cherry purchases are traditionally made in the week leading up to Christmas although the availability of counter-seasonal import may gradually lower this share as around-the-year consumption increases.

Consumer research suggests that cherries are largely an impulse buy. The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries, whether the fruit is blemish-free and the color is good. Research by the industry also found that 90 percent of cherries are consumed fresh. Consumers were found to have a low awareness of the country of origin of cherries. Most consumers buy cherries in summer while the Australian fruit is in season and tend not to buy cherries during winter when the US fruit is in season. Supermarkets are the usual purchasing channel for cherries.

Trade

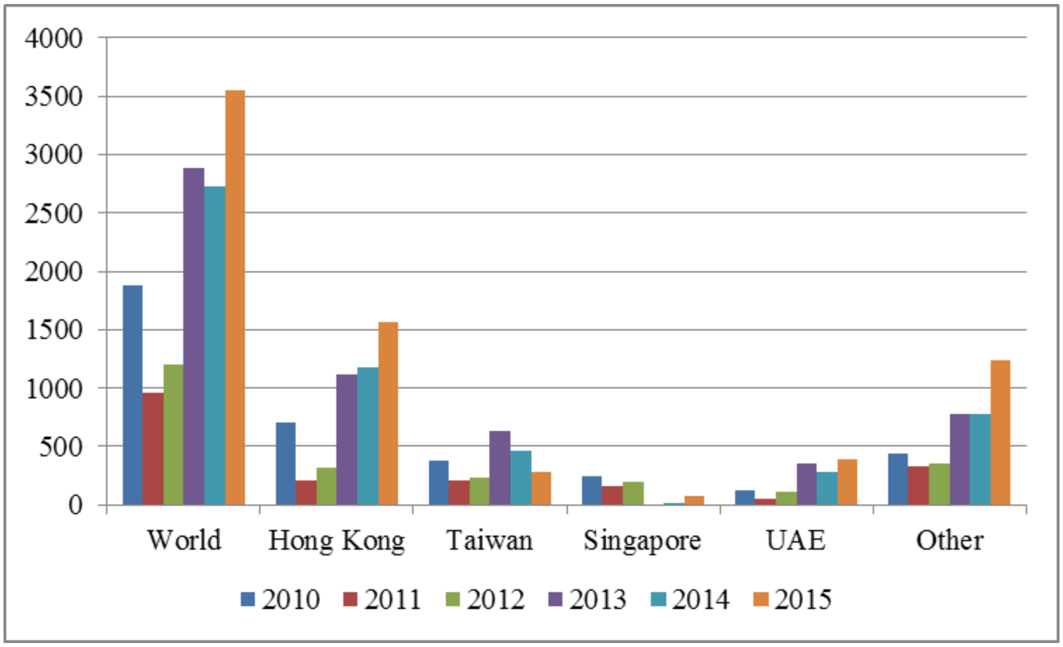
Exports of 6,000 tonnes of cherries are forecast for the 2015/16 season, but this figure could be exceeded as new markets open up. Over 5,500 tonnes of cherries were exported in the 2014/15 season, up 30 percent on the previous year by volume and up 23 percent by value in Australian dollars. The domestic market accounts for two thirds of production, but exports are steadily increasing their share because of higher returns for growers. In 2014/15, almost 1,600 tonnes were exported from Tasmania which is certified as free from fruit fly infestation.

Biosecurity arrangements are a vital part of securing export markets for cherries, as well as other stonefruit. Immediately after harvest cherries are hydro-cooled and packed into 2kg and 5kg cartons designed to meet export market protocols. Australia's free trade agreement with South Korea opened up this market and eliminated the previous 25 percent Korean tariff on cherry imports. As a result, Australian exports of cherries to South Korea increased from five tonnes in 2013/14, to almost 250 tonnes in 2014/15. Further increases in exports to this market are likely in 2015/16.

Hong Kong was the major export market for Australian cherries and accounted for 44 percent of the export volume in the 2014/15 season and increased 33 percent to over 1,500 tonnes. There were over 300 tonnes exported direct to China, making it the second largest market by value. Exports to Taiwan fell by 40 percent to 280 tonnes in 2014/15. Australian cherry exports to the United States market are possible under an existing bilateral import protocol but are not commercially viable due to airfreight costs.

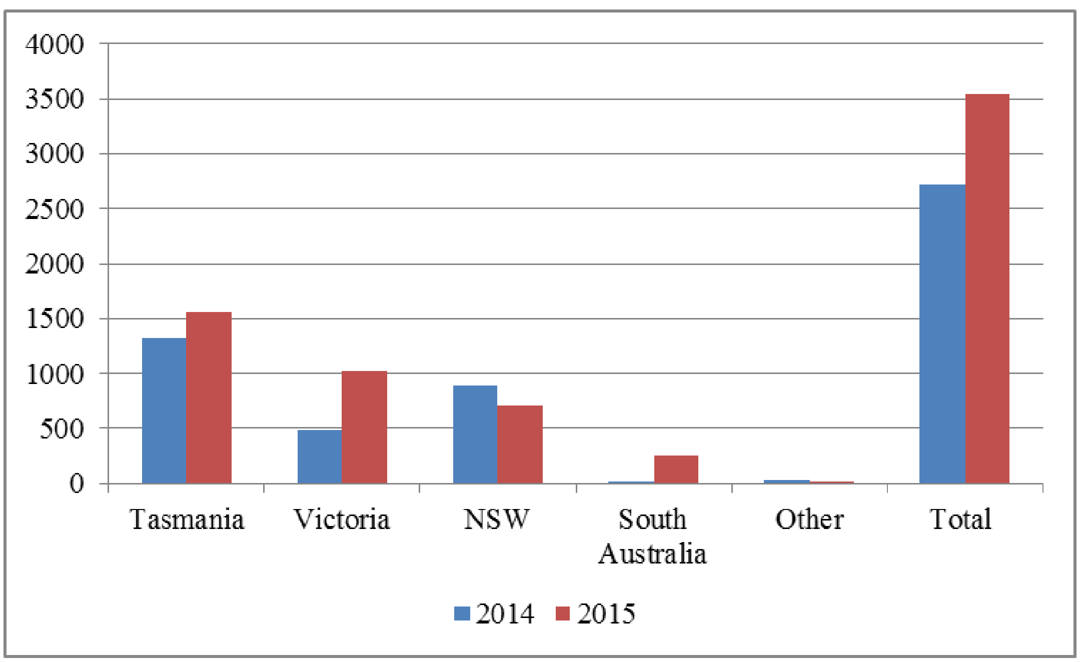
Almost all cherry imports into Australia are from the United States and California in particular. They are mostly marketed from July to September and therefore do not compete directly with Australian grown cherries but provide consumers with a more continuous supply of fruit through the year. The availability of cherries throughout the year is likely to increase overall domestic demand.

Chart 3: Australian cherry exports by country, 2010-2015



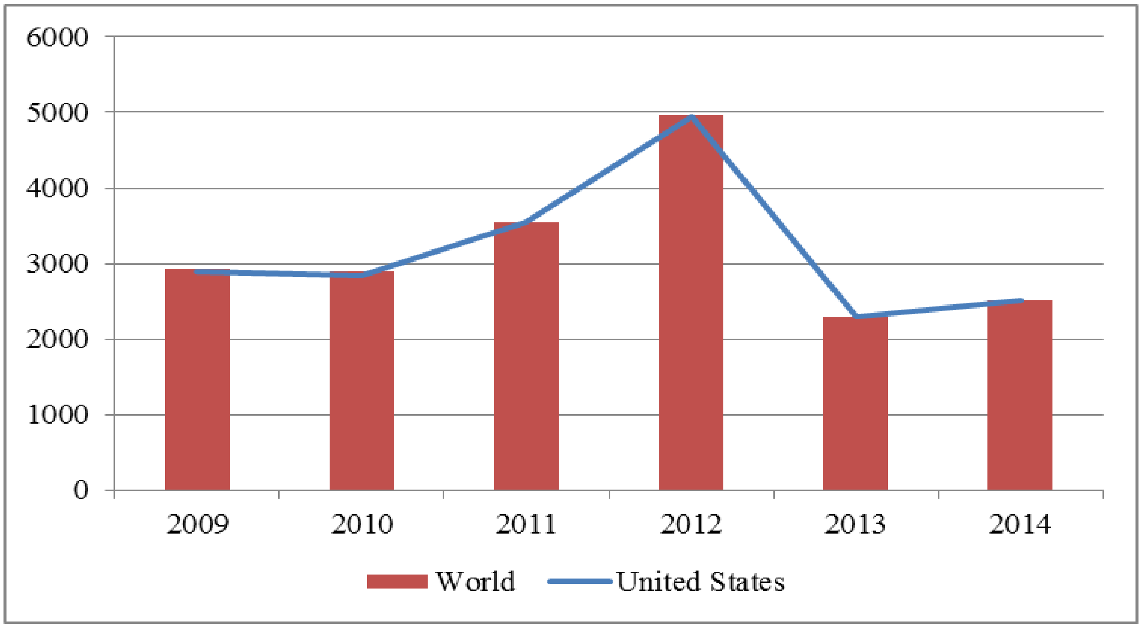
Note: Exports from June each year as the season is from November to February
Source: World Trade Atlas.

Chart 4: Exports of Australian cherries by State, 2014 to 2015 ('000 tonnes)



Note: Financial year ending in June.
Source: Australian Cherry Growers Association (2015).

Chart 5: Australian cherry imports by country, 2009-2014



Source: World Trade Atlas.

Table 1: Market access and protocol requirements for Australian cherry exports by country

		Country protocol requirements for exports of cherries				
Entity to be registered	Protocol	China	Taiwan	Thailand	Japan (TAS only)	Korea (TAS only)
Orchard	Area freedom	Yes	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Pack house	Area freedom	N/A	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Treatment facility	Area freedom	N/A	N/A	N/A	N/A	N/A
	Onshore cold treatment	Yes	Yes	Yes	N/A	N/A

Source: Australian Department of Agriculture, 2014.

PRODUCTION, SUPPLY AND DISTRIBUTION DATA STATISTICS

Fresh Cherries,(Sweet&Sour)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	3,000	3,000	3,120	3,120	0	3,300
Area Harvested	2,845	2,845	3,100	3,100	0	3,100
Bearing Trees	5,400	5,400	5,900	5,900	0	5,900
Non-Bearing Trees	540	540	600	600	0	800
Total Trees	5,940	5,940	6,500	6,500	0	6,700
Commercial Production	16,000	16,000	16,000	15,000	0	16,000
Non-Comm. Production	0	0	0	0	0	0
Production	16,000	16,000	16,000	15,000	0	16,000
Imports	2,900	2,900	2,700	2,700	0	2,700
Total Supply	18,900	18,900	18,700	17,700	0	18,700
Fresh Dom. Consumption	16,100	16,100	13,700	12,200	0	12,700
Exports	2,800	2,800	5,000	5,500	0	6,000
For Processing	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	18,900	18,900	18,700	17,700	0	18,700
HA, 1000 TREES, MT						

FRESH PEACHES AND NECTARINES

Overview

Australian summer stonefruit is produced by about 1,200 growers across the country. Growers produce up to 100,000 tonnes of fruit from October to April each year. Supply of summer stone fruit is based on a staggered flow of different varieties, each lasting up to two weeks. Early season stonefruit comes from sub-tropical Queensland and northern areas of Western Australia and NSW and are followed by crops from areas such as mid to southern NSW, parts of Victoria such as Swan Hill and the Riverland of South Australia. Fruit from cooler climates are last to market. Overall Renmark, Swan Hill and the Goulburn Valley (Shepparton and Cobram) represent over half of Australia's summer fruit production.

In recent years, the peach and nectarine industry has been affected by adverse weather patterns, the high Australian dollar and changing consumer preferences away from canned fruit. With revenue continuing to decline in recent years, some fruit growers left the industry while others decided to pull up older trees to lower costs. A further problem has been the closure of a number of established markets such as Vietnam and Malaysia, while increased regulatory barriers have affected exports to Hong Kong and indirectly to China. The industry hopes that import protocols will soon be agreed to facilitate stonefruit exports to China, following the signing of a free trade agreement between Australia and China. Without further export access, production is likely to be focused on the domestic market and returns to growers will be depressed by oversupply.

In recent years, the Australian government has reviewed the use of agricultural and veterinary chemicals and is likely to decide to phase out fenthion, one of the main chemicals used to control fruit fly in stone fruit. Tasmania is unaffected as it is certified as fruit fly free, but growers in other States are expected to adopt a fruit fly management strategy which is likely to be similar to that currently used in California.

Production

Production of peaches and nectarines has been difficult to estimate in recent years due to incomplete surveys and levy coverage. Production of stonefruit declined by 20 percent for nectarines and 40 percent for peaches between 2005/06 and 2012/13 due to shortages in water allocations, the impact of drought and reduced market demand for processing and canning. Since then, production has been estimated at around 100,000 tonnes based on Australian Bureau of Statistics data and industry estimates. However, it is generally conceded that official surveys do not completely cover all stonefruit producers because of budget constraints affecting the Australian Bureau of Statistics and an unknown element of levy evasion by producers.

New estimates published by the Australian Bureau of Statistics in mid-2015 indicate that production of peaches and nectarines fell significantly over 2014/15 due to lower yields and the withdrawal of producers from the industry. As a result, production for 2014/15 has been adjusted to 90,000 metric tonnes with a slight decline in the area planted to 1,700 hectares. The number of bearing stonefruit trees is estimated to have fallen to 3.4 million from 2014/15. Falls in yields were recorded over 2014 for both peach and nectarine growers.

For the 2015/16 market year from November 2015, indications are that production will be stable at 90,000 MT as producers anticipate that the opening Chinese market will offset the disappointment of low domestic returns and the closure of a number of export markets. Australian stonefruit exports are forecast to reach 6,000 tonnes in 2015/16 but could be considerably higher if import protocols are quickly signed with a number of countries, including China, although there are significant regulatory and timing constraints.

The local processing industry has stated that increased imports have contributed to declining demand for its products but the Productivity Commission found that changing consumer tastes were the main reason for this trend. Over the past five years, retail sales of processed fruit have declined by over 20 percent due to changing consumer preferences toward more convenient processed food alternatives. An additional factor has been the greater availability and reduced relative prices for fresh fruit in Australia.

In the 2014 season, the main processor announced a major reduction in the intake of peaches for canning due to declining domestic demand for processed fruit. Growers responded to the reduced fruit intake by the canning industry by removing trees as the clingstone (processing) varieties they grew were unsuitable for fresh markets, due to consumer preferences for freestone peaches and nectarines.

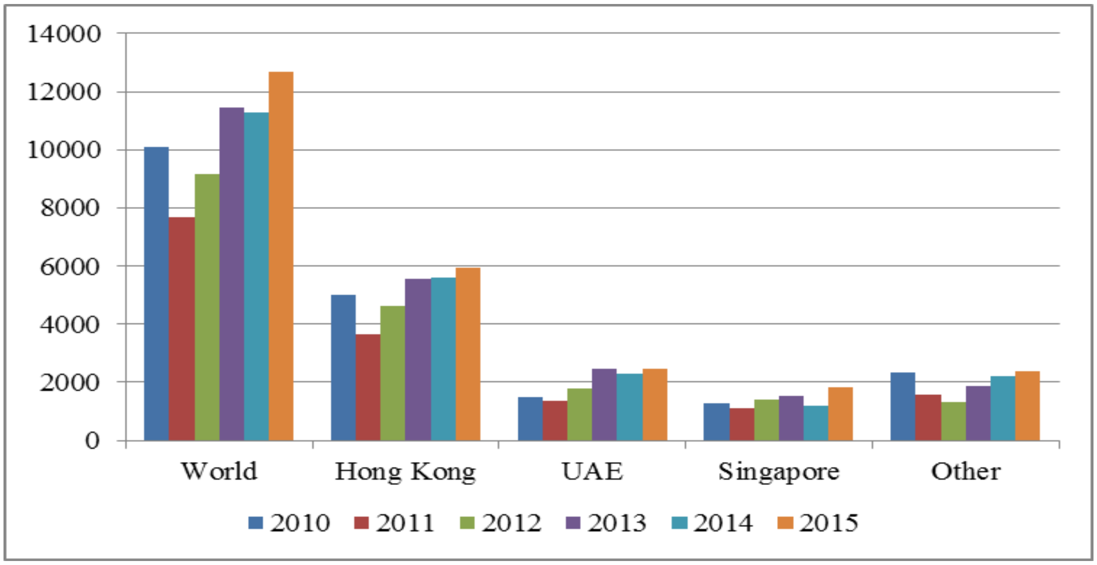
Large-scale tree removal was undertaken by some producers because of the higher fixed costs of monitoring and eliminating pests and diseases, such as fruit fly. However, in mid-2015, the main fruit canning operator announced increased quotas for peaches due to higher demand. A key factor in the revival of demand for canned fruit was the undertaking of a leading national supermarket to only stock Australian grown canned fruit on its shelves. The scale of this possible change in consumption is not yet apparent.

Imports

Imports of stonefruit were approved in late 2013 and have increased rapidly since then to exceed 5,000 tonnes in 2014. Most imports are sourced from the United States and are counter-seasonal to local production. The outlook for 2015/16 is clouded by the slowing Australian economy, lower consumer confidence and the weaker Australian dollar against its U.S. counterpart. However it is expected that imports will be stable in 2015/16 at 5,000 tonnes. In early 2015, Australia granted market access for plums from the United States and small shipments have already entered the domestic market. Australia currently prohibits importation of U.S. apricots and hybrids of apricots and other stone fruits due to concerns over certain plant pests.

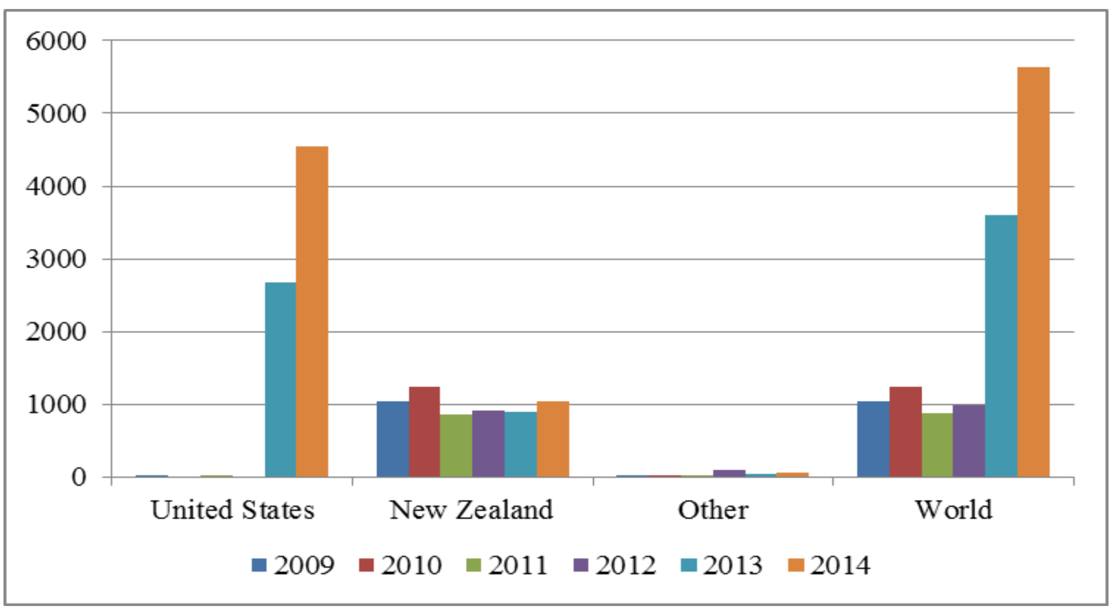
U.S. exports must be airfreighted and producers in California typically ship stone fruit until mid-September. Both peaches and nectarines are sold by Australia's largest retailers, Coles and Woolworths, through mid-October when local production is unavailable. In 2014/15, ten Californian firms registered to import fruit, up from three the previous year and leading Australian retailers managed their own import programs. Surveys have found that Australian demand for stone fruit is considerably lower during winter than in the opposite season. Imports from the United States are forecast to be stable at around 6,000 tonnes in 2015/16 despite adverse exchange rate developments.

Chart 6: Australian stonefruit exports by country, 2010-2015



Note: Year to date to June as fresh stonefruit exports occur over the season from October to February.
Source: World Trade Atlas.

Chart 7: Australian stonefruit imports by country, 2010-2015



Source: World Trade Atlas.

Exports

Currently, Victoria produces 90 percent of Australia's stonefruit exports. Exports of Australian stonefruit in 2015/16 are expected to continue to be stable at 11,000 tonnes, the same level as the revised total for the previous year which was a significant increase on 2013/14. Nevertheless, there remain considerable uncertainties over market access in both established and new markets. Hong Kong remains the single largest export market for Australian stone fruit (accounting for over 40 percent of total exports) followed by the United Arab Emirates and Singapore.

Under the Japan-Australia Economic Partnership Agreement (JAEPA) which was signed in April 2014, a tariff of six percent on peaches will be eliminated over seven years under a schedule of tariff concessions. This concession could allow a major increase in counter-seasonal stonefruit from Australia to this market. All tariffs on horticultural products exported to China will be eliminated under the new China-Australia free trade agreement (ChAFTA). However an import protocol to allow for direct importation of stone fruit from Australia to mainland China is still being negotiated. Previously growers sold fruit into Hong Kong, which was then passed on to the mainland.

Exports to Taiwan have not yet recovered from the disruption to market access in 2009 while the established market in Vietnam was closed in early 2015 over concern over Australian biosecurity controls on fruit fly infestation. In 2015, Malaysia also announced it would no longer accept air freighted stonefruit from Australia, allowing only sea freight and cold treatment of pests like fruit fly. Bilateral negotiations are continuing to resolve these biosecurity issues. A breakthrough in import protocols for Vietnam, Malaysia or China could allow exports to rapidly increase in 2015/16 although the window of opportunity for this is closing as the market year begins in November.

PRODUCTION, SUPPLY AND DISTRIBUTION DATA STATISTICS

Fresh Peaches & Nectarines	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	1,850	1,850	1,750	1,700	0	1,700
Area Harvested	0	0	0	0	0	0
Bearing Trees	3,600	3,600	3,400	3,400	0	3,400
Non-Bearing Trees	250	250	250	250	0	250
Total Trees	3,850	3,850	3,650	3,650	0	3,650
Commercial Production	100,000	100,000	100,000	90,000	0	90,000
Non-Comm. Production	0	0	0	0	0	0
Production	100,000	100,000	100,000	90,000	0	90,000
Imports	2,700	2,700	3,000	6,000	0	6,000
Total Supply	102,700	102,700	103,000	96,000	0	96,000
Fresh Dom. Consumption	76,100	76,100	75,000	75,000	0	75,000
Exports	6,600	6,600	8,000	11,000	0	11,000
For Processing	20,000	20,000	20,000	10,000	0	10,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	102,700	102,700	103,000	96,000	0	96,000
HA, 1000 TREES, MT						